

Message Text

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ACTION ABF-01

INFO OCT-01 EUR-12 EA-12 IO-14 ISO-00 AID-05 CIAE-00
COME-00 EB-08 FRB-01 INR-07 NSAE-00 USIA-15
TRSE-00 XMB-04 OPIC-06 SP-02 LAB-04 SIL-01 OMB-01
IGA-02 /096 W

-----123634 221025Z /10

R 220741Z DEC 77

FM AMEMBASSY BERN

TO SECSTATE WASHDC 5464

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION GENEVA

AMCONSUL ZURICH POUCH

UNCLAS BERN 6000

PASS TREAS AND FRB

E.O. 11652: N/A

TAGS: EFIN, SZ

SUBJ: DOLLAR EXCHANGE RATE

1. DOLLAR RATE AGAINST SF FELL DEC 20 TO RECORD
LOW SF 1.9990. BEFORE CLOSING AT SF 2.0080 AFTER
SWISS NATIONAL BANK INTERVENED TO PURCHASE DOLLARS.
SNB ANNOUNCED IT WOULD INCREASE DOLLAR PURCHASES
AND ANNOUNCED NEW SWAP CREDIT ARRANGEMENT WITH
BANKS OF UNDETERMINED AMOUNT FOR 90 DAYS AT ONE AND
FIVE-EIGHTHS PERCENT INTEREST. SWAP AIMS AT REDUCING
SHORT TERM SF INTEREST RATE TO EASE PRESSURE ON
FRANC RESULTING FROM RECENT WEST GERMAN MONETARY
STEPS TO TAKE PRESSURE OFF DM.

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2. SNB GEN MANAGER PIERRE LANGUETIN SAID DOLLAR
RATE FALL IS UNREALISTIC AND THAT "PSYCHOLOGICAL"
MOTIVATIONS FOR MOVEMENT AWAY FROM DOLLAR COULD
NOT CONTINUE INDEFINITELY. LANGUETIN SAID SNB WAS
PREPARED TO TAKE NECESSARY STEPS TO CURB SF APPRECI-
ATION BUT NEW MEASURES AT ITS DISPOSAL ARE LIMITED.
HE SAID NEGATIVE REACTION TO BASEL CENTRAL BANKERS'

MEETING WAS EXAGGERATED; OUTCOME WAS POSITIVE BECAUSE EVEN US SIDE HAD EVOLVED TO RECOGNIZING NECESSITY OF INTERVENING TO CONTROL PRESENT SITUATION. HOWEVER, LANGUETIN SAID ANOTHER MEETING WOULD BE USEFUL ONLY IF IT PRODUCED ACTION. FINANCE DEPT VICE DIR KAESER SAID ACTION BY BIG ECONOMIC POWERS IS REQUIRED TO PUT INTO PRACTICE RAMBOUILLET AGREEMENT TO CURB ERRATIC EXCHANGE RATE MOVEMENTS WHICH HINDER NEW INVESTMENTS NECESSARY FOR ECONOMIC GROWTH.

3. AGEFI DEC 21 EDITORIAL SAID CENTRAL BANKS ARE ACTING TO STEM DOLLAR RATE DECLINE WITHOUT CONVICTION THEIR EFFORTS WILL BE EFFECTIVE IN LONG RUN. PRESSURE IS PRIMARILY ON SF BECAUSE YEN AND DM APPEAR TO HAVE REACHED LEVEL OF APPRECIATION DESIRED BY US. THEREFORE, SOME ADDITIONAL MARGIN OF SF APPRECIATION REMAINS. AGEFI STRESSED THAT US MONETARY COOPERATION WITH EUROPE AND JAPAN IS INDISPENSABLE. HOWEVER, THAT COOPERATION APPEARS UTOPIAN. ZURICH BANKING CIRCLES SEE US RESORTING TO MONETARY MEASURES TO EFFECT TRADE ADJUSTMENT WITH JAPAN.

4. DIRECTOR OF SWISS BANK CORP GENEVA TOLD PRESS PRESENT LEVEL OF SF IS NOT SURPRISING GIVEN INFLATION RATE DIFFERENTIALS, RECORD SWISS EXPORTS OVER PAST TWO MONTHS, AND SIZABLE DEBT BY FOREIGNERS OWED UNCLASSIFIED

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IN SF. HOWEVER, SWISS EXPORT INDUSTRY ALREADY ENCOUNTERING INCREASING DIFFICULTY IN PRICE COMPETITIVENESS FROM STRONG FRANC.
WARNER

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
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Current Classification: UNCLASSIFIED
Concepts: DOLLAR, FOREIGN EXCHANGE RATES
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Copy: SINGLE
Sent Date: 22-Dec-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BERN06000
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
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Handling Restrictions: n/a
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ISecure: 1
Legacy Key: link1977/newtext/t19771228/aaaaaxch.tel
Line Count: 98
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Litigation History:
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Review Content Flags:
Review Date: 24-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 149783
Secure: OPEN
Status: NATIVE
Subject: DOLLAR EXCHANGE RATE
TAGS: EFIN, SZ
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/c61e49fe-c188-dd11-92da-001cc4696bcc
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